



County of Los Angeles

CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

July 10, 2003

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Second District

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To: Supervisor Yvonne Brathwaite Burke, Chair
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Supervisor Don Knabe
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From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

Budget Update

The Senate concluded floor session for this week without taking up the Senate Republican amendments to the budget. According to Senate President John Burton, the 87 amendments were only today made available to Democrats who have not had a chance to review them. Consequently, they will be taken up and debated at the session scheduled for 10:00 am on Tuesday, July 15, 2003. Apparently they will be offered as amendments to AB 1769, which Senate Democrats sought unsuccessfully to pass more than two weeks ago.

The cuts included on the Senate Republican list total \$3.6 billion. However, the list also includes over \$900 million of add-backs, bringing the net reduction to \$2.7 billion. Unlike the Assembly Republican proposal debated last Sunday, the Senate Republican "offer" apparently assumes the elimination of the VLF backfill and a corresponding increase in the rate. Otherwise, the proposed cuts would have to be some \$4 billion higher. But the proposal rejects the temporary half-cent sales tax increase sought by Democrats and instead provides them with what amounts to a "menu" of potential cuts from which to pick some \$2.4 billion of expenditure reductions to replace the sales tax revenue. It also assumes the sale of \$10.7 billion in deficit bonds that would apparently be financed with a swap of sales tax and property tax revenues between local governments, the State, and schools.

Some of the cuts on the list that could impact the County include:

- \$106 million by eliminating State-only social service programs including the Cash Assistance Program for Immigrants and the California Food Assistance Program;
- \$2.7 million by eliminating the Independent Adoption Program;
- \$20.8 million by capping Child Welfare Services Caseworker Costs at \$135,000 per caseworker;
- \$26.4 million by reducing local administration for Child Support Services;
- \$7.5 million by reducing the frequency of foster care group home visits from monthly to quarterly;
- \$23.1 million from a 10% reduction in Mental Health Managed Care allocations;
- \$116 million in claimed savings to local governments from workers' compensation reforms, including a prohibition on County inmates receiving temporary disability benefits, if injured while incarcerated.

Additional cuts of interest to the County and the people it serves include:

- \$361 million by suspending SSI/SSP COLA's as proposed by the Governor;
- \$183.7 million by adopting the Governor's proposed 6% reduction in CalWORKs grants;
- \$196.7 million by adopting the Governor's suspension of CalWORKs COLA's;
- \$693.8 million from eliminating or reducing various Medi-Cal optional benefits;
- \$30.1 million from a moratorium on Adult Day Health Care and a rate change;
- \$76.2 million from eliminating continuous Medi-Cal eligibility for children;
- \$8 million from excluding over-the-counter drugs from Medi-Cal;
- \$38.2 million from requiring co-pays for Medi-Cal and AIDS Drug Assistance;
- \$2.3 million from reducing the Expanded Access to Primary Care Program;

- \$1.6 million from reducing the Adolescent Family Life Program;
- \$10 million from eliminating funding for the Early Mental Health Initiative;
- \$1.3 million from reducing the Emergency Housing Assistance Program; and
- \$8.3 million from eliminating general fund support of the California Science Center.

It remains to be seen on Tuesday how much of this “menu” will be palatable to Senate Democrats, much of which was recommended by the Governor in either his January Budget or the May Revise.

VLF Backfill

On a number of occasions, the State Controller has indicated that he would continue to make VLF backfill payments to local governments unless the law authorizing them as a continuing appropriation was changed. However, this week his office announced that it was suspending payments effective June 19, 2003, the date the Department of Finance declared that the State could no longer afford to pay the backfill, thereby triggering an increase in the VLF rate. Consequently, local governments will only receive a partial payment for June, resulting in a loss of approximately \$20 million to the County.

This loss may be temporary, however. Supposedly the Controller has indicated that the payment has been temporarily suspended to allow time for the Legislature to adopt a budget that includes the necessary change in the law. If a budget is not adopted by the end of the month, the Controller has indicated he would make the June payment.

IHSS Wage Bill – AB 1470

County-opposed AB 1470 (Vargas), which would authorize In-Home Supportive Services (IHSS) wages to be set via voter initiative, was considered by the Senate Health and Human Services Committee on July 9, 2003. The bill’s author, Assembly Member Juan Vargas, told the Committee that some counties, such as Los Angeles, have not increased IHSS wages, and the measure was needed to pressure counties that are delaying or unwilling to increase wages.

Our Sacramento Advocates, along with the California State Association of Counties, the California Welfare Directors Association, the California Mental Health Directors Association, and numerous individual counties and organizations testified in opposition to the bill on the basis that additional cost increases in IHSS would cause cuts in other vital county services.

Senators Deborah Ortiz and Sheila Kuehl expressed reservations about the budgetary implications of AB 1470 on non-IHSS services, and suggested to Assembly Member Vargas that he accept clarifying amendments proposed by Committee staff designed to identify existing county uncommitted revenues that could be used to finance increased wages. Assembly Member Vargas did not accept these amendments, and despite their reservations, Senators Ortiz and Kuehl supported the bill which passed the Committee by a vote of 8 to 2. Senator Ortiz suggested AB 1470 could face difficulties at its next stop in the Senate Appropriations Committee because of the fiscal implications to the State. No hearing date has been set.

Status of County-Interest Legislation

County-supported AB 408 (Steinberg), which seeks to ensure that no child be emancipated from the foster care system without a connection to a committed and caring adult by requiring social workers to make additional reports at various times throughout the dependency process regarding efforts to identify and maintain a child's relationships with individuals who are important to the child, passed the Senate Judiciary Committee on July 8, 2003 by a vote of 6 to 0, and now proceeds to the Senate Appropriations Committee. The bill's "prudent parent" standard was amended to ensure that it applies to any local regulations that are being "over-interpreted" to prevent the ability of dependent children to participate in age-appropriate extracurricular, enrichment, and social activities.

County-supported SB 663 (Speier), which requires the tax collector to make additional attempts to contact the owner of tax-defaulted property, and would prevent the sale of tax-defaulted property until personal contact is made, for a period of up to four years, passed the Assembly Revenue and Taxation Committee on July 8, 2003 by a vote of 6 to 0 and now proceeds to the Assembly Appropriations Committee.

We will continue to keep you advised.

DEJ:GK
MAL:JR:JF:EW:ib

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities